ORIGINAL

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554

RECEIVED
JUN 12 1996

In the Matter of	)	
	)	
Allocation of Costs Associated with Local Exchange Carrier Provision of Video Programming Services	)))	CC Docket No. 96-112

DOCKET FILE COPY ORIGINAL

REPLY COMMENTS OF SCRIPPS HOWARD CABLE COMPANY

Kenneth C. Howard, Jr.
Michael Ruger

Counsel for Scripps Howard Cable Company

Baker & Hostetler
1050 Connecticut Avenue, N.W.
Suite 1100
Washington, D.C. 20036-5304

Telephone (202) 861-1500

Date: June 12, 1996

0+5

SUMMARY

Scripps Howard Cable Company supports the recommendation of the National Cable Television Association ("NCTA") that the Commission adopt a fixed cost allocator which allocates 25% of common costs to regulated telephony and 75% of common costs to video transmission. This allocation would ensure that local telephone ratepayers are sufficiently protected from subsidizing local exchange carrier entry into video services.

Adoption of a fixed cost allocator is necessary to ensure that costs for new video services are not improperly subsidized. It is questionable whether there exists a sufficient level of competition in most markets to ensure that local exchange carriers will not improperly shift costs to local ratepayers. Only by adopting a fixed allocator will the Commission ensure that local ratepayers are assessed just and reasonable rates for regulated services as directed by Section 201(b) of the Communications Act.

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554

In the Matter of

Allocation of Costs Associated with Local Exchange Carrier Provision of Video Programming Services — CC Docket No. 96-112

To: The Commission

REPLY COMMENTS OF SCRIPPS HOWARD CABLE COMPANY

1. Scripps Howard Cable Company ("Scripps Howard"), through counsel, hereby submits reply comments regarding the above-captioned Notice of Proposed Rulemaking ("Notice"). Scripps Howard supports the proposal advanced by the National Cable Television Association ("NCTA") in its comments, which recommends the allocation of 25% of common costs to regulated telephony and 75% of common costs to video transmission. While the incumbent local exchange carriers ("LECs") generally oppose the concept of a fixed cost allocator, they fail to present viable options that would serve the three goals enunciated by the Commission in this proceeding.[1]

2. In its comments, BellSouth Corporation ("BellSouth") suggests that cost allocation rules are unnecessary for LECs subject to price cap regulation, claiming that "[c]ompetition and

[1]Those goals are to facilitate the development of competitive telecommunications service offerings; to facilitate local exchange carrier entry into video distribution and programming services markets; and to ensure that regulated telephone rates are just and reasonable. Notice at ¶ 22.

price caps will keep telephone prices at reasonable levels."[2] It is questionable, however, whether there exists a sufficient level of competition in most markets to ensure that there will be no improper cross-subsidization of entry into video services by regulated telephone ratepayers. So long as the potential for competition serves as an insufficient check on cross-subsidization, the Commission must ensure that ratepayers are protected from subsidizing LEC entry into video services through appropriate rules.

3. USTA also maintains that cost allocation rules are unnecessary for LECs subject to price caps. It argues that an incumbent LEC regulated under price caps has no incentives to shift costs into regulated accounts, as that carrier "will still be constrained by the price caps from increasing the rates it charges its regulated services customers."[3] This view is countered by Cox Communications, Inc., which submits a white paper illustrating that a LEC subject to price caps retains the incentive and ability to cross-subsidize competitive services.[4] Again, so long as there is the potential for LECs to improperly cross-subsidize entry into video services, the Commission has an affirmative duty to protect ratepayers

4. BellSouth also maintains that if the Commission retains cost allocation rules, it should not adopt a fixed cost

[2]BellSouth Comments at 20.

[3]USTA Comments at 4.

[4]Cox Communications, Inc., Comments at Exhibit B.

allocation factor. BellSouth argues that the current Part 64 rules can be applied to the allocation of costs of providing cable service between regulated and nonregulated service categories, noting that it filed revisions to its Cost Allocation Manual (CAM) to describe how those costs would be assigned. By establishing a fixed cost allocation factor, however, the Commission will avoid the uncertainty and delay that will undoubtedly arise from analyses of individual decisions by each LEC regarding the allocation of shared costs for entry into video services. Furthermore, ratepayers will be ensured that they are not improperly subsidizing LEC entry into video.

5. As Scripps Howard stated in its comments in response to the Notice, adoption of a fixed cost allocator is necessary to meet the Commission's obligation to ensure that local exchange carriers do not burden ratepayers with the expense of entering the video marketplace, and that local ratepayers are assessed just and reasonable rates for regulated services as directed by Section 201(b) of the Communications Act. Therefore, Scripps Howard Cable Company urges the Commission to move expeditiously to adopt a fixed cost allocator, and to adopt NCTA's

recommendation to allocate 25% of common costs to regulated telephony and 75% of common costs to video transmission.

Respectfully submitted,

Kenneth C. Howard, Jr.
Michael Ruger

Counsel for Scripps Howard Cable Television

Baker & Hostetler
1050 Connecticut Avenue, N.W.
Suite 1100
Washington, D.C. 20036-5304

Telephone (202) 861-1500

Date: June 12, 1996

CERTIFICATE OF SERVICE

I, Carmen Cupp, a secretary at Baker & Hostetler, hereby certify that on this 12th day of June, 1996, a copy of the foregoing Reply Comments of Scripps Howard Cable Company was delivered by hand to the following:

The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
Room 814
1919 M Street, N.W.
Washington, DC 20554

The Honorable James H. Quello
Commissioner
Federal Communications Commission
Room 802
1919 M Street, N.W.
Washington, DC 20554

The Honorable Susan Ness
Commissioner
Federal Communications Commission
Room 832
1919 M Street, N.W.
Washington, DC 20554

The Honorable Rachelle B. Chong
Commissioner
Federal Communications Commission
Room 844
1919 M Street, N.W.
Washington, DC 20554

Regina Keeney
Chief
Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554

Ernestine Creech
Common Carrier Bureau
Accounting and Audits Division
Room 257
2000 L Street, N.W.
Washington, D.C. 20554

Andrew Mulitz
Common Carrier Bureau
Accounting and Audits Division
Room 257
2000 L Street, N.W.
Washington, D.C. 20554

ITS
2100 M Street, N.W.
Suite 140
Washington, D.C. 20037

Carmen Cupp